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CENTRAL INTELLIGENCE AGENCY

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COUNTRY Poland

REPORT

SUBJECT

Polish Economic and
Political Developments

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the current situation in Poland. The document provides
information on the following, much of it general:

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- a. Waterways within Poland and between Poland and the USSR.
- b. Polish shipyards.
- c. Trade with the USSR.
- d. Foreign trade in general.
- e. Personnel situation in government administration.
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- h. Forthcoming Third Congress of the Polish United Workers Party (PZPR).
- i. Police and "hooliganism".

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Waterways Inside Poland and Between Poland and the USSR.

1. The main waterway in Poland today is the river Oder. Because of certain 50X1-HUM conditions of the riverbed and the instability of the water level, it has been impossible until now to transform the main river, Vistula, into a major waterway. The problem is not a new one, and pre-war Polish Governments tried to solve it many times, mainly through construction of water reservoirs in the upper mountainous part of the Vistula, or in its tributary rivers in Southern Poland. As far as the Vistula's waterbed is concerned, the quantity of sands in the central part of its course is such that it would be necessary to build artificial canals all along the river.

2. This is the reason why pre-war Polish Governments as well at the present regime have tried to use parts of the Vistula as connections with other waterways. The Vistula, in its upper part, is connected with the Oder by the Bydgoszcz Canal (leading to the Oder tributary, Notec and then to the Warta). At present, this important waterway is functioning in full. Beyond the Oder, the waterway extends into East German territory (Eberswalde and Berlin canals) towards the Elbe. Further to the South, the Oder is connected with the Spree by canals constructed in the Frankfurt/Oder area. In addition to the existing canals, the Poles are thinking of creating a connection between the Oder and the lower part of the Vistula by prolonging the existing so-called Gliwice canal, important to Polish industry in Upper Silesia and the Krakow area.

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3. [] the situation is different as far as communications with the USSR are concerned. Already before the war, there existed (partly constructed under the Russian imperial regime) a canal between the Vistula tributary Bug and Prypec, a tributary of the Dnyeper. After the war, there was much talk about creating a large waterway between Russia and Germany, passing through Polish territory up to and beyond the Oder. But it seems that the present state of the Bug-Dnyeper canal is such that there is no question of any regular use of this waterway for transportation. Therefore, shipments between Poland and the USSR are going either by railway, by sea (Sanitized Copy Approved for Release 2010/08/09 : CIA-RDP80T00246A047300020001-4

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4. The Oder is serving at present not only as a main Polish waterway towards the Baltic coast (or Germany [redacted]), but has been opened to a large Czech transit traffic. It seems that more recently the Yugoslavs, with Ryeka [redacted] are in competition with the Polish Oder, and part of the Czech traffic is directed to the South. The Polish Government is attaching great importance to the commercial and economic value of the Oder waterway. The fleet of barges and crafts are constantly increasing. Special shipyards for river crafts are functioning in Brzeg (former Brieg), South-East of Wroclaw (Breslau). The Czechs are also directing more traffic towards the Polish port of Szczecin [redacted]

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[redacted] It is necessary to remember that the Oder serves all the main Polish industrial area of Upper and Lower Silesia.

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Polish Shipyards

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5. [redacted] Polish shipyards are one of the best organized branches of the Polish industry. This is a result, first of all, of the fact that more recent Polish internal political developments have opened the way to the elimination of non-specialized party elements from the shipyards. This started towards 1955. When, after October 1956, Russian specialists working in the shipyards had been sent back to the USSR, fully trained Polish technical personnel took over their posts. The Russians did not return (no Russian experts are working in the Gdansk shipyard and Gdynia shipyard. [redacted])

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6. The big Polish shipyards, like Gdansk, are able today to construct ships up to 35,000 DTW. [redacted]

[redacted] small coastal defense crafts can be constructed, but no Polish shipyard is adequately equipped even to construct a destroyer. The Russians, of course, are not in favor of specialization in warship building by the Poles.

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7. It seems that the technical level of Polish shipyards is at present very high. [redacted] a special "ship-base" for long-range fishing crafts was delivered to the Russians (destination, Murmansk). The ship, of about 10,000 tons, was built in Gdansk. It contains a hospital, cinema, living quarters, storehouse for fish, etc. The crew consists of 270 men. The ship is also provided with two helicopters (landing on the deck) and two motor cutters. The construction was reinforced in view of the necessity to navigate in the Arctic. For the first time, the component parts of the structure had been made by the Poles, and not imported from the USSR. Poland produced, too, the major part of the instruments and equipment of the ship.

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8. In general, it seems that the degree of participation of the Polish industry in ship building is in constant increase. The huge Poznan Cegielski factory has almost entirely stopped construction of railway engines, and produces at present motors and machinery for ships. The factory of Elblag is producing such parts as propellers, or different steel parts of construction. All that is shipped to the shipyards, from Elblag, by land, and not by sea, is because the Russians are not allowing the Poles to use the Kaliningrad (Koenigsberg) port. Until the first half of 1957, Russia and other "Socialist" states were the main customers of Polish shipyards (up to 99% of total export).

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ordering costly ships

Russia is generally

Trade with the USSR.

9. Russia is still playing a very big role in Polish foreign trade.

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as an example, Russia is still covering 90% of Polish imports in cotton. For Poland, the advantage of the new trade phase with Russia is the fact that prices paid for Polish products by the Russians correspond to international standards, and, in some instances, are even slightly higher, such as is the case with coal.

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the difference is not large, but the Soviets are using this for psychological effect.)

10. Ships represent important items in Polish exports to the USSR. also, rolling stock for railways (apparently, the USSR stopped almost completely imports engines from Poland, the reason why it was possible to convert the Cegielski factory to production of machinery and ships' motors), and equipment for the light industry, especially the textile industry. in the case of industrial equipment exported to the USSR, it is rather difficult to establish which part is destined to cover Russian commitments towards countries, and which part the Soviets are using for themselves. Poland's dependence on Russian exports of iron ore has increased recently,

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Russia is literally inundating the Polish market with such products as televisions, radio sets, photographic apparatuses, refrigerators, washing machines, etc.

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Apparently, plans have been made for the construction of large gas pipelines from Russia to Poland (for metangas etc.), one in the North and one in the South. This, again, will increase Polish dependence on Russia from the point of view of fuel.

Foreign trade in general

11. [redacted], no [redacted] credits are foreseen in plans established recently by the Ministry of Foreign Trade. There are doubts in Warsaw that Poland will obtain these credits under the present circumstances.

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[redacted] Poland "has no choice but to collaborate economically with Russia, because it had been abandoned [redacted]" Trade with China is apparently going well, but the Chinese had some difficulties last year with payments for deliveries. As a result, Poland had to import from China some pig-iron, without needing it.

Situation of Personnel in Government Administration.

12. Contrary to rumors towards the end of the last year, the present Minister of Foreign Trade Trampeczynski will remain in his post. It seems that Gomulka, who trusts him, opposed his resignation. The foreign trade apparatus is at present under heavy pressure from Communist party bureaucracy which is again trying to "place" a number of its proteges. For example, the ousted Communist vice-Ministers (who were sacked under pressure of Cyrankiewicz and the Economic Council) have been appointed Directors of foreign trade organizations. This is also the case of Animex (Goronski) and Rolimpex (Zawadzki). The party bureaucrats do not dare attack specialists who are already in the apparatus, but are trying to put obstacles to new admissions. This has created some kind of "stalemate" which is making further improvements in the foreign trade apparatus difficult.

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[redacted] political opposition against Gomulka has in effect ceased, especially after his Moscow trip last Fall. But every higher-placed member of the Politbureau, or Central Committee of the party, has his own "suite" and protects it.

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13. It is generally considered that Gomulka understands very little in economics, and believes more in a system of "idealistic" Socialism. He has left the direction of the economic questions to the Economic Council attached to the Prime Minister's office. This Council, [redacted]

[redacted] is in favor of the line leading to greater independence from the USSR, and increased private initiative in Polish economy. The Polish plans, notwithstanding the necessity of taking into consideration some general principles of collaboration between the "Socialist" states established by KOMEKON, are based on purely Polish principles, and Russian economy is no longer held as the "model" for other Socialist countries.

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14. It seems that at times there is friction between the Council and the Economic Commission of the Central Committee of the party, especially on the question of private initiative where party officials seem to be more reluctant to accept new concessions.

Remarks about the Economic Situation in General

15. Private initiative has effected good results, until now, as far as artisan shops are concerned - plumbing, electricity, repairs, etc. This sector is looked upon more favorably by the Government and the party, because these private enterprises have demonstrated clear superiority over communal or state shops. The same phenomenon is to be observed in the building industry. But in trade, private initiative is still lagging. there are many reasons for this situation. First of all, the wholesale trade is still in the hands of the State. Therefore, private enterprises and shops are suffering continuously because of difficulties in obtaining raw materials or half-products. The tradesmen who found good places in State trade, are reluctantly abandoning their posts, considering in many cases that the whole new policy is a transitory one, such as the Russian NEP. For this reason, private trade was overrun during the first period by rather undesirable elements, speculators, etc..

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16. The directors of wholesale trade State enterprises are considering private industry as dangerous competition. Therefore, they are inclined in many cases to put artificial obstacles (in getting goods) in the way of private traders, even in cases where the central Governmental offices favor them. no one knows for the time being where private initiative should end or how to arrange co-operation between private initiative and State enterprises. "Models" are sought by the Economic Council or other bodies, but still no satisfactory solutions have been found. There was much talk to encourage private initiative in the case of restaurants, cafes, hotels etc., but few results are to be observed at present.

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17. Because of the governmental policy giving almost complete autonomy to the State enterprises (industry, trade, etc.) and efforts to interest directly the workers and employees (bonuses), there is at present less difference between the co-operatives (acting as independent collective private enterprises) and the State. The situation is not the same in the country. Since agriculture is based on private ownership, private initiative is far better developed. The State favors small private enterprises or artisan shops, because of the possibility of satisfying more efficiently the requirements of the mass peasants.

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18. The general economic conditions have improved but are still rather hard. Salaries are low, and prices are higher. According to official statistics, the prices had gone up about 5% in 1958 (retail prices). [redacted] this figure is too low. Because of the system of "bonuses" in industry, the commodity goods industry is more and more inclined to offer the internal market goods of better quality but at higher prices. Cheaper goods are difficult to obtain under these circumstances, and the population is suffering because of that.

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Gomulka's personal position

19. [redacted], notwithstanding all the critics of Gomulka, he is still considered by the majority of the nation as the "best" possible leader of the Polish Communist party (United Workers party - PZPR) from the national point of view. Major critics against him are touching the economic situation and the failure of promises in regard to higher living standards. But the Russians are still taking the major blame for Polish difficulties, and Gomulka represents an "independence" trend, notwithstanding his more recent "concessions" made towards the USSR.

20. As far as the question of "withdrawal from October 1956" is concerned, this withdrawal effectively took place in some sectors, for example, in the suppression of anti-Soviet criticism in the press, but there are no signs of a possible return to the pre-October 1956 situation.

The Forthcoming III Congress of the United Workers Party (PZPR)

21. It seems that the mass population is attaching relatively little importance to the coming Congress. There is no doubt that programmatic discussions are violent inside the party; however, the average Pole is showing little interest and is not expecting any sensational changes. The people are tired of party interference in national and private life (reduced considerably at present, in comparison with the past, but still existing). It is generally estimated that with such a program it is unlikely that the party would relinquish the claim to "guide" the nation. Under these circumstances, the importance of the III Congress is apparently reduced to the question of what the new policy will be and how it will affect the average citizen.

22. The Communist party has lost importance among the masses. The party leaders would like to arouse more enthusiasm and dynamism (this was reflected in XII Plenum of the Central Committee debate, last October) but most party members are rather passive. The number of real "activists" is small. It is possible to observe in the offices that there is some

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difficulty in arranging meetings of the party "basic organization" (P.O.P. - Podstawowa Organizacja Partyjna). The members of the party seem to consider participation in such meetings as some kind of disagreeable fatigue duty.

The Police and the Mass Population

23. The "militia" (police) apparently have become more popular in Poland because of the efficiency shown in fighting "hooligans."

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[redacted] in Warsaw opinions that the situation in Poland is at present far better, from that point of view, than in the USSR. Apparently, the "militia" is becoming progressively "a "normal" police [redacted] which is very different from the old "Security" (U.B. - Urzedy Bezpieczenstwa). The population is grateful for that.

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